



R E P O R T
OF THE
TARIFF COMMISSION
ON THE CONTINUANCE OF PROTECTION
TO THE
PENCIL INDUSTRY

सत्यमेव जयते

BOMBAY

1953

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GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY

New Delhi, the 21st November, 1953.

RESOLUTION
(Tariffs)

No. 44(2)-T.B./53.- The Tariff Commission has submitted its Report on the continuance of protection to the Pencil Industry on the basis of an enquiry undertaken by it under Section 11(e) read with Sections 13 and 15 of the Tariff Commission Act, 1951.

2. In its report, the Commission has pointed out that, though the number of units engaged in the manufacture of pencils have gone down, there has been an increase of over 100% in the installed capacity. The quality of Indian pencils has also improved. A comparison of the fair ex-works price of Indian made pencils and the lowest c.i.f. prices at which pencils were actually imported in recent months, according to the Commission, shows that no protective duty is required in the case of black lead pencils. Further, on the basis of the floor c.i.f. prices fixed by Government in respect of additional licences issued during January-June 1953 for the importation of coloured and copying pencils, no protective duties would be required by these varieties either. Since the existing rate of duty is 66 2/3% on all types of pencils, the Commission considers that there is no case for continuing protection to the industry.

3. This recommendation of the Commission has been based on the assumption that the existing rate of import duty as well as the existing restrictions on import would continue. Once protection has been removed from the industry, however, there can be no assurance regarding the level of import duty that will remain in force from time to time. Government, therefore, have in consultation with the Commission decided

to accept the main recommendation of the Commission that the industry should be de-protected from the end of 1953, subject to the proviso that if, at any time, the import duty is substantially reduced, it will be open to the industry to ask for a further enquiry by the Commission.

4. As regards restriction on imports - both qualitative and quantitative - the policy will continue to be announced each half-year taking into account all the circumstances prevailing at the time of announcement including those to which the Commission has drawn attention.

5. The Commission has also recommended that the Government of India should endeavour to obtain the services of a fully-qualified technician to advise the industry on its technical problems in order to help it in further improving the quality of Indian pencils. Government propose to examine, in consultation with the industry, the type of expert it needs and then to consider the manner in which the services of such an expert could be most advantageously obtained.

6. The Commission has also made the following ancillary recommendations:-

संस्थापन जपने

- (1) No licences should be issued in future to any of the pencil manufacturers to import lead or slips for pencil making.
- (2) In order to make the pencil industry independent of imports of foreign slats, the indigenous slat industry should be developed without any delay. The Development Wing of the Ministry of Commerce and Industry should explore the possibilities of successfully establishing the wood slat industry in the country with special reference to the States of Punjab, Uttar Pradesh, Kashmir and West Bengal.
- (3) The request of M/s. Capital Industries Ltd., Delhi, for increased supply of electric power should again

be referred to the proper authorities for sympathetic consideration, at an early date.

- (4) Government should still further tighten up their anti-smuggling measures and also prevent unauthorised importation of pencils under a wrong nomenclature.
- (5) All facilities and assistance which the industry is at present receiving from Government including Government patronage for its products but excluding facilities for importation of lead should continue to be extended.
- (6) While the producers should do everything to encourage the slate industry in the country, the slate industry in turn should, within as short a period as possible, meet their requirements in respect of quality and quantity.
- (7) Since the National Physical Laboratory is prepared to undertake the work of treating samples of graphite ore, the indigenous producers should take up the matter direct with the laboratory.

7. Government will take necessary steps to implement these as far as possible and would take this opportunity of drawing the attention of the industry to recommendations (6) and (7).

L.K. JHA,

Joint Secretary to the Government of India

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REPORT ON THE CONTINUANCE OF PROTECTION TO THE PENCIL INDUSTRY

The claim of the pencil industry to protection or assistance was referred to the Tariff Board for investigation and report in April, 1949. The Board,

Previous tariff inquiries. in its report submitted in 1950, made the following recommendations:-

- " (1) The existing revenue duties, namely, 25 per cent. *ad valorem* or one anna per dozen, whichever is higher, plus one-fifth of the total duty, for black lead pencils and 37½ % for coloured and copying pencils should be converted into protective duties, which should remain in force up to 31st Dec., 1953. The rate of alternate specific duty on lead pencils should be revised to Re. 0-3-6 per dozen (including surcharge) in order to bring it into conformity with the current c.i.f. prices of imported pencils;
- (2) Coloured and copying pencils which are at present grouped together with various articles of stationery in item 45(a) of the Indian Customs Tariff should be shown separately as a new item;
- (3) Subject to the exigencies of foreign exchange, the industry should be given all possible facilities in obtaining the raw materials needed by it;
- (4) Imports of pencil wood from soft currency sources should be allowed liberally, until the manufacture of slats from indigenous timber is established in the country. The

industry should also be given special assistance in obtaining up-to-date machinery and equipment from abroad;

- (5) Government Departments should continue to buy their requirements of pencils as far as possible from Indian factories only;
- (6) The suggestion made by the Wood Seasoning Officer of the Forest Research Institute that used deodar sleepers could be utilised for the manufacture of slats should be examined in consultation with the Railways and the State Governments concerned;
- (7) The State Governments of Kashmir, Uttar Pradesh and the Punjab should give urgent consideration to the possibility of starting the manufacture of slats from deodar or cypress in their States;
- (8) The Council of Scientific and Industrial Research should investigate the possibility of refining Indian graphite so as to make it suitable for the manufacture of pencils;
- (9) The Pencil industry should be given all possible assistance in securing the services of foreign experts or training facilities for their own technical staff;
- (10) Pencils should be included in the Statistics of industrial production collected by the Director of Industrial Statistics and arrangements should be made with the Collectors of Customs and the Director General of Commercial Intelligence and Statistics, Calcutta, to record imports of pencils by the following main categories, namely (a) black lead pencils, (b) coloured pencils, and (c) copying pencils;

- (11) Considerable research will have to be done towards improving the quality of lead, if some of the superior grades of pencils which are at present imported are to be produced in the country;
- (12) The question of reducing Railway rates on pencils may be taken up by the industry directly with the Railway Board."

In their resolution dated 9th December, 1950, Government accepted the Board's recommendation (1) in principle, but in view of the fact that the indigenous production of pencils was at that time far below the installed capacity of the industry, they decided that protection should initially be given for a period of two years ended 31st December, 1952. It was also decided that the continuance of protection after the first year should depend on a review of the progress made by the industry during that year. As regards recommendations (2) to (11), Government observed that steps would be taken to give effect to them, as far as possible. Attention of the State Governments of Kashmir, U.P., and Punjab was invited to recommendation (7). Government also invited the attention of the Government of West Bengal to recommendation (7), as it was reported to them that there were possibilities of developing a supply of suitable wood for slat manufacture, viz., cypress, which was available in North Bengal. The attention of the industry was invited to recommendation (12).

In pursuance of the Government's decision that continuance of protection after the first year should be conditional on a review being undertaken of the progress made by the industry, the Tariff Board conducted a review in December, 1951. The findings as well as the recommendations of the Board were communicated to the Ministry in the Board's letter dated 5th January, 1952. The findings and recommendations were as follows:-

- "(i) The progress so far made by the industry affords sufficient justification for continuing the protection granted to it up to 31st December, 1952;
- (ii) The State Governments concerned should take steps to persuade wood slats manufacturers in their territories to make improved arrangements for the processing of slats and for bringing down their prices to a level comparable with those of imported slats;
- (iii) The request of M/s. Capital Industries Ltd., Delhi, for increased supply of electric power should be referred to the proper authorities for sympathetic consideration;
- (iv) The complaint received from manufacturers regarding illicit imports of foreign pencils through Pakistan and the foreign possessions in India should be looked into and stricter measures taken to prevent such illicit imports, if any;
- (v) The request that import licences for wood slats should be made valid for one year should receive the consideration of Government."

In their resolution dated 29th March, 1952, Government accepted all the recommendations of the Board adding that the industry should make every effort to increase production and improve the quality of pencils.

2. The implementation of the subsidiary recommendations of the Tariff Board's recommendations.

Implementation of the Board is discussed *seriatim* below:-

(a) *Recommendations made by the Board in its Report (1950) :-*

Recommendation 2 : This has been implemented and coloured and copying pencils are being shown separately in the Customs Tariff Schedule under Item No. 45(4).

Recommendations 3 and 4 : Most of the indigenous manufacturers as well as the Development Wing of the Ministry of Commerce and Industry have informed us that the industry has not experienced any difficulty in obtaining their requirements of raw materials, whether indigenous or imported. Wood slats which were allowed to be imported on an *ad hoc* basis by actual users during the first half of 1951, were placed on an Open General Licence on 12th June, 1951 and the Open General Licence has been extended up to 30th September, 1953. As regards the importation of machinery by the Pencil industry, we are informed that the industry has been obtaining the necessary facilities from Government.

Recommendation 5 : We are informed by the representatives of the pencil industry present at the inquiry that the Government of India as well as some of the State Governments, such as those of West Bengal, Travancore-Cochin, Madras, etc. have been purchasing their requirements of pencils of the types produced in the country from indigenous producers. The Controller of Printing and Stationery, Calcutta, has stated in his memorandum that under the present policy of the Government of India, black lead pencils are purchased from the indigenous manufacturers in all cases except where imported pencils are required to meet specific demands as, for instance, high grade drawing pencils, etc. which have not so far been very successfully manufactured in the country. He has also informed us that he has entered into contracts with five of the indigenous producers, namely, the Madras Pencil Factory, Bhoopathi Pencil Factory, Capital Industries Ltd., F.N. Gooptu & Co., and Quilon Pencil Factory, for supplies in 1953-54 of specified varieties of black lead, coloured and copying pencils aggregating 34,230 gross.

Recommendation 6 : As regards the use of old deodar sleepers, the President of the Forest Research Institute, Dehra Dun, has informed us that the question was investigated and it was found that the Railways make very intensive use of deodar and the sleepers are rejected only when they are almost of no use, at which stage the yield of slats

for the use of the Pencil industry would be very poor. The deodar sleepers are first used on the main lines, then shifted to branch lines and on again to sidings as they get worn out and are finally used to make workmen's huts. The suggestion made by the Wood Seasoning Officer at the previous inquiry would, therefore, appear to be unworkable.

Recommendation 7 The Director of Cottage Industries, U.P., has informed us that a beginning has been made at Dehra Dun, for the manufacture of slats from deodar wood on Cottage lines. The Director of Industries, Punjab, has mentioned in his memorandum that experiments have been conducted in the Government Wood Working Institute, Jullundur, regarding the possibility of starting a wood-slat industry from deodar. He has estimated the cost of production of deodar rectangular slats at Rs. 2-7-9 per gross, and of those made from 'Chil' wood and mangoe wood at approximately Rs. 1-12-0 per gross. In view of the possibility of economic production of slats, the State Government is reported to have recently sanctioned a subsidy of Rs. 1,500/- to a party, for the development of the slat industry in that State. No information is available about the progress made for developing the slat industry in Kashmir and West Bengal, except that a slat manufacturing factory called Kapur's Industrial and Research Laboratory has been set up by Dr. S.N. Kapur (a retired officer of the Forest Research Institute) in Calcutta.

We consider that the efforts made by the Governments of U.P. and Punjab are not adequate for the establishment of slat manufacturing industry in their States. We are given to understand that in most foreign countries factories for manufacturing pencils have been established only after the necessary units for the production and supply of adequate quantities of indigenous wood slats have been effectively organised. In India, however, the pencil industry has come into existence with no organised unit of the feeding industry in evidence, while, what is very disconcerting, its capacity

has recently been expanded considerably on the basis of a supply of imported slats. This is an unsatisfactory situation. In order to make the pencil industry independent of imports of foreign slats, the indigenous slat industry should be developed without any delay. The Wood Seasoning Officer of the Forest Research Institute has stated in general terms that abundant supplies of suitable species of timber for slat manufacture are available in different parts of the country though it is not known which specific variety of timber the manufacturers are in a position to accept for economic production of slats. We, therefore, recommend that the Development Wing of the Ministry of Commerce and Industry should explore all possibilities of successfully establishing the wood slat industry in the country with special reference to the States of Punjab, Uttar Pradesh, Kashmir and West Bengal.

Dr. Kapur, the proprietor of Kapur's Industrial and Research Laboratory, Calcutta, represented to us that he has been manufacturing on a large scale chemically treated and pressure-dyed slats for pencil manufacture from deodar and kail. He also stated that he spared no efforts to popularise his slats amongst the pencil producers but the efforts have proved infructuous as the pencil manufacturers were not interested in his product. The representatives of producers, on the other hand, stated that they tested the samples of wood slats supplied by this laboratory and had submitted their reports to the Development Officer concerned in the Ministry of Commerce & Industry to the effect that while the wood selected by the laboratory was quite suitable, the slats supplied as samples were defective in parts and could not be accepted by the industry. During the public inquiry, one important producer expressed the view that Dr. Kapur's laboratory was not capable of ensuring a continuous and adequate supply of good quality non-smelly slats of uniform and correct size. Dr. Kapur, on the other hand, contended that he could improve the quality of his slats only if the producers placed large scale orders. The

producers, however, felt that at this critical juncture of the industry they could not afford to experiment with imperfect material and hence they had to depend on imported wood. They assured the Commission that as soon as indigenous slats of sufficiently satisfactory quality were produced they would, in their own interest, place orders against assurance of continuous supply. From the evidence tendered it would appear that the slats produced by Dr. Kapur's laboratory do not as yet come up to the required quality while, admittedly, their price is not competitive. With a view to bringing down the cost of production, Dr. Kapur intends to shift his unit to Pathankot where cut pieces of deodar are available and other varieties of wood could also be obtained for further experimentation. We have pointed out to Dr. Kapur that he would be well advised to concentrate his efforts on a specific variety and produce quality products at competitive prices. He should make strenuous efforts to eradicate smelliness, eliminate exudation of oily substance, perfect his pressure-dyeing process, and ensure a constant supply. The Commission, therefore, desire that while the producers should do everything to encourage the slat industry in the country, the slat industry in turn should, within as short a period as possible, meet their requirements in respect of quality and quantity.

The Director of Cottage Industries, U.P., has made certain suggestions for effecting reduction in the cost of production of slats. He has suggested that the slat factories should be located near timber depots, such as, in Hardwar, Jagadhri, Dhilwan and Doraha. As deodar is an expensive timber and finds many other uses, intensified attempts should be made to utilise the off-cuts and other waste wood left over in the forests for conversion into pencil slats, instead of using sleepers and scantlings. The conversion of logs into sleepers is itself a wasteful process, reducing the yield. Further the conversion of sleepers into slats is again another wasteful process at present and it is necessary that suitable machinery, particularly fine gang-saws should be employed for the purpose. Similar

suggestions were also made by the representatives of producers present at the public inquiry. We have examined these suggestions very carefully and suggest that they should be borne in mind before a wood slat manufacturing unit is established in the country.

We have received some suggestions for stimulating the use of indigenous slats. The President of the Forest Research Institute is of the opinion that the consumption of indigenous slats could be stimulated only by the adoption of the following measures. (i) The Controller of Printing and Stationery should give preference to pencils made out of deodar slats. He should introduce an appropriate clause when calling for tenders for pencils, (ii) in order to give immediate help to the indigenous pencil slat industry, Indian pencil makers should be asked to manufacture at least 50 per cent. of pencils out of deodar slats, (iii) an excise duty should be imposed on pencils made by Indian pencil makers from imported slats, (iv) the import of African and American cedars in any form (either as slats or as sawn timber) should be restricted or stopped.

We are glad to note that the Controller of Printing and Stationery, Calcutta, while contracting for the supply of indigenous pencils, has agreed to accept pencils made out of suitable quality wood available from indigenous sources. We have examined the suggestions of the President of the Forest Research Institute very carefully. While we consider that there is considerable force in his suggestions we are afraid they cannot be accepted until the entire requirements or at least a major portion of the country's requirements of quality wood slats of satisfactory specifications can be met from indigenous production. In our view, the immediate enforcement of these suggestions would inflict hardships on the pencil industry as also on the consumers.

Recommendation 8: We are informed by the National Physical Laboratory of India, Delhi, that the Laboratory are now evolving certain tests for the testing of pencil leads in respect of resistance to wear, strength and writing

quality. We also understand that the Laboratory is now actively busy with beneficiation of graphite ores and that, if indigenous producers are interested in getting their samples of graphite ore treated in the Laboratory, the Laboratory would undertake such work on payment of certain charges. We recommend that the indigenous producers should take up the matter direct with the Laboratory.

Recommendation 9 : The question of securing services of foreign experts or training facilities for the technical staff employed by the industry was discussed during the public inquiry and we were informed by the producers that so far they have not been able to get experts from abroad for technical assistance. It was represented that the processes connected with pencil manufacture are regarded by the industrially advanced countries as valuable secrets and that it is very difficult to obtain overseas technical experts who are prepared to part with all their knowledge for normal business considerations. We, therefore, recommend that the Government of India should endeavour to obtain the services of a fully qualified technician under the Point Four Programme to advise the industry on its technical problems.

Recommendation 10 : Imports of pencils are now recorded by the three main categories viz., (a) black lead, (b) coloured and (c) copying.

Recommendation 11 : This recommendation is discussed in paragraph 7 of this report below.

Recommendation 12 : The industry has not so far taken up with the Railway Board the question of reduction in railway freights. We are informed that the recently formed Pencil Manufacturers' Association would take up the matter direct with the Railway Board.

(b) *Recommendations made by the Tariff Board in its Review (1929) :-*

Recommendation (ii) This is covered under Recommendation No. 7 above.

Recommendation (iii) : M/s. Capital Industries Ltd., Delhi, have informed us that so far no action has been taken on this recommendation of the Tariff Board. Supply of adequate power is essential if the firm is to step up its production and thereby effect a reduction in its production cost of pencils. We, therefore, reiterate the recommendation of the Tariff Board that the request of this firm for increased supply of electric power should again be referred to the proper authorities for sympathetic consideration, at an early date.

Recommendation (iv) : The Ministry of Finance (Revenue Division) in their Memorandum dated 21st May, 1952, have directed the Collectors of Customs and Central Excise to take necessary action to prevent illicit imports. We are not aware of the measure of success achieved in this regard. We are, however, informed by the representatives of the industry that pencils still continue to be smuggled into the country from across the Indian border. We, therefore, recommend that the Government should still further tighten up their anti-smuggling measures and also prevent unauthorised importation of pencils under a wrong nomenclature.

3. The protective duties recommended by the Tariff Board in 1950 were given effect to by the Indian Tariff

The present (Amendment) Act, 1951, for a period of two years inquiry. ended 31st December, 1952. Since the continuance

of protection after the first year was conditional on a review by the Tariff Board of the progress of the industry during that year and the finding of the Board that the industry deserved continuance of protection after the first year had been accepted by the Government, the protective duties were allowed to continue without any modification upto the end of December, 1952. As the Tariff Commission could not complete its inquiry before 31st December, 1952, protection was extended by Government on the recommendation of the Commission, upto 31st December, 1953, by the Indian Tariff (Fourth Amendment) Act, 1952.

The present inquiry into the question of continuance of protection has been undertaken by the Commission under Section 11(e) read with Sections 13 and 15 of the Tariff Commission Act, 1951, which empower the Commission to investigate into the working of protection granted to an industry and, on its own motion, to inquire into further action to be taken in relation to the protection granted to an industry with a view to its increase, decrease, modification or abolition, according to the circumstances of the case.

4. (a) On 9th February, 1953 the Commission issued special questionnaires to manufacturers, importers and consumers of

Method of pencils. On the same date, letters were addressed Inquiry. to the State Governments of Kashmir, Uttar Pradesh,

Punjab and West Bengal enquiring about the steps taken by them in establishing a wood slats manufacturing industry in their States. Memoranda were invited from the Controller of Printing and Stationery, Calcutta, regarding the quality of indigenous pencils and from the President, Forest Research Institute, Dehra Dun, on the success achieved in manufacturing wood slats from railway sleepers. A letter was also issued to the Secretary, Council of Scientific and Industrial Research, New Delhi, inquiring into the results obtained in refining Indian graphite so as to make it suitable for pencil manufacture. The Development Wing of the Ministry of Commerce and Industry was requested to forward a memorandum on the present position of the industry. On 19th February, 1953, a press note was issued inviting producers, importers, consumers, firms, associations and persons interested in the Commission's inquiry into the industry, who desired that their views should be considered by the Commission, to obtain copies of the questionnaires from the Secretary to the Commission and to forward their replies or memoranda. A list of persons, associations and firms to whom questionnaires were issued either independently or in response to their requests and of those who submitted their replies or memoranda is given in Appendix I.

(b) Mr. C. Ramasubban, Member of the Commission, visited the factory of Messrs. Capital Industries Ltd., New Delhi, on 6th March, 1953 and the factory of Messrs. G.C. Law & Co., Calcutta, on 7th April, 1953. Mr. B.N. Das Gupta and Mr. C. Ramasubban, Members of the Commission, visited Kapur's Industrial & Research Laboratory, Calcutta, on 8th April, 1953, and the factory of F.N. Gooptu & Co., Calcutta, on 9th April, 1953. They also visited the factory of Lion Pencils Ltd., in Bombay on the 19th May, 1953. The Commission's Assistant Cost Accounts Officer, Mr. L.M. Ghosh, visited the factories of F.N. Gooptu & Co. and the Madras Pencil Factory from 6th to 11th April, 1953 and from 14th to 16th April, 1953, respectively for the purpose of examining the cost of production of pencils manufactured by these two producers.

(c) A public inquiry was held on the 22nd and 23rd May, 1953. A list of persons who attended the inquiry and gave evidence is given in Appendix II.

5. During the last Tariff Board inquiry in 1950, the domestic demand for pencils for the succeeding three years was estimated at 5 lakh gross per annum. The Domestic demand. estimates now received by us from the various sources differ considerably. The Ministry of Commerce and Industry (Development Wing - Chemicals) have placed their estimate of demand at 5 lakh gross and have stated that it will be reasonable to expect an increase of one lakh gross in the next two years. Messrs. F.N. Gooptu & Co. are of the opinion that the average consumption of pencils in the country could be fairly estimated at 3.5 lakh gross and that at the end of the next three years the demand might at the most increase by 10 per cent. Messrs. G.C. Law & Co. consider the present indigenous consumption to be approximately 3 lakh gross. As regards the future consumption, they are of the opinion that there will be scarcely any increase as pencils are being replaced by cheap quality fountain pens and ink pencils. The estimate of the Madras Pencil Factory is of the order of 3 lakh gross for all types.

A representative of the Bombay Stationers' Association, Bombay, submitted that the demand is very much higher than the estimates made above. He argued that on the basis of the number of students attending schools and colleges, the estimate can be taken to be 15 lakh gross. A representative of the importers was of the view that since in 1947-48 the imports amounted to 9.94 lakh gross, the normal consumption in the country may be estimated at 10 lakh gross per annum. We have examined this matter very carefully and are unable to accept the above two estimates of 15 lakh gross and 10 lakh gross. The calculation based on the strength of the student population was made on the assumption that each student needed six pencils per year; in our opinion, this assumption is misleading as the term "student" would include that class in all stages, - primary, secondary, higher, advanced and technical, and also those in cities, small towns and villages - and assessment of average consumption is bound to be empirical. As regards the arguments advanced by the representative of the importers, we would like to point out that the heavy imports in 1947-48 were made mainly to meet the pent-up war demand. Although subsequently the imports were drastically reduced, the stocks carried over from previous years had continued to depress the market. The heavy imports in 1947-48, therefore, cannot be regarded as imports necessary to meet the average requirements of a normal year.

From the evidence placed before us both in the written memoranda and during the public inquiry, we consider that the demand in the country has increased since the Tariff Board's last inquiry in 1950. We consider that due to spread of literacy since the last inquiry the consumption has somewhat increased. Allowing 20 per cent. for this increase over the demand estimated in 1950, the total requirements at present may be estimated at 6 lakh gross per annum. So far as the future consumption is concerned, we are of the opinion that the demand might progressively increase at the rate of 10 per cent. per year.

As for the break-down of the demand for different types of pencils, the general consensus of opinion at the public inquiry was that it might be estimated at 75 per cent. for black lead pencils, 15 per cent. for copying pencils and 10 per cent. for coloured pencils.

6. At the Tariff Board's inquiry in 1950 the rated capacity of the 15 units in the industry for which information was then available, was estimated at ^{Rated capacity and production.} 4.55 lakh gross per annum. Of these, 5 units with an aggregate annual capacity of about 70,000 gross were stated to have been out of production. Subsequently while reviewing the industry in January, 1952, the capacity of the industry was revised to 5.48 lakh gross, consequent upon the Madras Pencil Factory having raised its capacity from 100 to 500 gross per day.

A statement showing the present installed capacity and the actual production since 1950 of the various manufacturing units as reported to the Commission is given in Appendix III. The statement relates to only 11 units including the two new units namely, Moonlight Industries, Delhi, and Lion Pencils, Bombay. Of the other six units for which the figures of capacity were available to the Tariff Board in 1950, two are reported by the Director of Industries, Travancore-Cochin, to have gone out of production. The remaining four factories were not in production even in 1950. It may, therefore, be assumed that the active units in the industry are only 11 as mentioned in the Appendix.

According to the statement in the Appendix the capacity of the industry is 11 lakh gross per annum on a single shift basis. During the public inquiry, the representative of the Madras Pencil Factory explained that the estimated capacity of 4.5 lakh gross reported to the Commission in their replies to the Commission's questionnaire included the estimated capacity of 3 lakh gross per annum as a result of the additional machinery which is under installation at present. Deducting the capacity of the new machinery under erection at the Madras Pencil Factory, the capacity of the

industry at present may be estimated at 8 lakh gross per annum and that at the end of 1953 at 11 lakh gross. Some of the representatives of the producers, in their evidence tendered before us, have stated that they have already placed orders for new machinery to expand their capacity and improve the quality of their products. We elicited the information that the new machinery that had been ordered was partly in replacement of obsolescent units and the rest for improving the quality of the finished products. It is envisaged that as a result of such replacement and addition there would be an eventual expansion in productive capacity. It will be seen that the capacity of the industry with the installation of new machinery ordered would be nearly twice as much as the estimated demand in the country.

As against the capacity of the industry in different periods mentioned above the actual output since 1950 was as follows:-

Type of pencil	1950	1951	1952
	Gross	Gross	Gross
Black lead	90,788	197,404	129,420
Coloured	14,130	21,749	11,334
Copying	12,773	23,396	9,835
TOTAL	117,691	242,549	150,589

As compared with the capacity, actual production of the industry has been very much lower during the three years under discussion. In 1952, the proportion of production to capacity was much lower than that in the two preceding years. The comparatively low production during the last year has been attributed by the industry to lack of demand for indigenous product due to large-scale imports resulting from the liberalisation of the Government's import control policy and to alleged smuggling of cheap foreign pencils.

7. The opinions expressed by the various interests, namely, producers, consumers and importers in regard to the quality, improvements in the quality of indigenous pencils were conflicting. While most of the pencil producers have claimed considerable improvement in the quality of their products since the last Tariff inquiry, some of the consumers and importers stated that there has been absolutely no improvement while others were of the opinion that there has been no marked improvement and that the indigenous pencils are definitely inferior to the imported ones. In the course of discussion at the public inquiry, several consumers and some importers expressed the view that the indigenous pencils are superior to the Japanese pencils but admitted that inspite of poor quality Japanese pencils were selling well in the Indian market. Some importers condemned the indigenous pencils but on inquiry we found that none of them had hardly interested themselves in the marketing of the indigenous products. At the public inquiry, we endeavoured to bring it home to the importers that they should take considerably more interest in the indigenous products than they are evidently doing at present. From several random samples of pencils produced before us at the public inquiry and picked out by the members of the Commission who visited the factories referred to earlier in this report, we are of the opinion that there has been definite improvement in the quality of the indigenous pencils during the last two years. It is, however, true that most of such pencils were manufactured from superior quality imported slats or from both imported slats and slips. We are, therefore, of the opinion that given the right type of raw materials, the indigenous industry would be able to produce pencils of superior quality. It has been confirmed that most of the units have been able to manufacture the right kind of indigenous slips. Further it can be assumed that with the installation of new up-to-date machines, quality will improve much more, provided good quality of slat is also available in the country. If the services of a Technical Expert under Point IV Programme can be obtained for the

industry, we consider that the industry may be expected to make a significant progress in the near future.

8.(a) *Imports* : A statement showing the imports of pencils in quantity and value from April, 1949 to January, 1953, is shown in Appendix IV. The total annual imports since 1949/50 were as under:

<u>Year</u>	<u>Quantity</u>	<u>Value</u>
	<u>Gross</u>	<u>Rs.</u>
1949/50	51,540	6,57,439
1950/51	34,927	4,56,867
1951/52	148,992	14,51,819
1952/53 (April '52 to January, 1953)	377,208	29,36,049

The above figures reveal that during the ten-month period from April, 1952 to January, 1953, imports of all types of pencils amounting to 377,208 gross were about 60 per cent. higher than the total imports during the three years from 1949/50 to 1951/52. Such heavy imports cannot but have adverse effects on the industry. Despite the curtailment of production in 1952, the stocks with the industry have steadily accumulated. The stocks increased from 39,646 gross at the end of 1951 to 47,071 gross at the end of June, 1952, and to 51,143 gross at the end of December, 1952.

(b) *Import control policy* : The import control policy pursued by Government since the beginning of January, 1950 has been as follows. During the first half of 1950, imports of all types of pencils were completely banned. During the next half year, the same policy was followed in regard to all pencils except artists' pencils, the ban on which was lifted and a quota was fixed for its importation by established importers from soft currency areas at 10 per cent. of one-half of their best year's imports. During January/June,

1951, the import policy was liberalised only with regard to black lead pencils and licences were issued to established importers to import from soft currency areas to the extent of 10 per cent. of one-half of their best year's imports. The imports of other types of pencils continue to be banned. During the latter half of 1951, the policy followed in the preceding half year was continued. During the first half of 1952, the import policy was still further liberalised and the quota for black lead pencils was raised to 20 per cent. The ban on imports of coloured and copying pencils was lifted and a quota of 40 per cent. of one-half of their best year's imports was fixed for established importers. The quota was to be calculated on the basis of all items of stationery falling under S.No. 168, Part IV of the Import Trade Control Schedule for January-June, 1952, excepting printed advertising materials. The policy followed during this period was continued in the subsequent half year as well, with the proviso that the value of the licences in regard to black lead pencils was to be converted into quantity at Rs. 16/- per gross. The limiting factors for clearance were both value and quantity. These limitations were intended to restrict imports to superior and expensive pencils. It was, however, brought to the notice of Government that importers were bringing in specified quantities of cheap quality pencils at rates much below Rs. 16/- per gross, thus circumventing the real object of the restrictions. Government, therefore, decided in their Import Trade Control Public Notice No. 138-ITC(PN)/52, dated 25th December, 1952, that against import licences relating to the licensing period July-December, 1952, only pencils whose c.i.f. price was not less than Rs. 16/- per gross would be allowed to be imported. Importers were accordingly asked to arrange with their suppliers and to ensure that pencils valued at less than Rs. 16/- per gross were not supplied against their licences, as these would not be allowed to be cleared. This clarification applied to all shipments of pencils originating from the port of despatch on or after 1st January, 1953.

During the current licensing period, namely, January-June, 1953, a quota of 20 per cent. was originally fixed for black lead pencils but consequent upon a provision for increase in the import duties in the Finance Bill, 1953, the quota was raised on 3rd March, 1953 to 30 per cent. of one-half of the best year's imports. The limitation on c.i.f. value imposed in the preceding half-year was continued. As regards coloured and copying pencils, the quota of 40 per cent. fixed for July-December, 1952 was continued. However, by the Import Trade Control Public Notice No. 69-ITC(PN) dated 18th April, 1953, (Vide Appendix V) Government decided to grant additional licences equal to one-fifth of the face value of the quota licences. Against these additional licences, coloured and copying pencils whose c.i.f. value is not less than Rs. 20/- per gross can be imported.

9. Lead pencils are assessed to duty under Item 30(7) and coloured and copying pencils under Item 45(4) of the First

Existing rates of protective duties. Schedule to the Indian Customs Tariff (37th issue). Consequent upon a provision being made in the Finance Bill, 1953, to raise the protective duties on all types of pencils to

66 2/3 per cent. *ad valorem* the Collector of Customs, Bombay, under his Notice No. 23, dated 27th February, 1953, started levying this enhanced rate of duty with effect from 28th February, 1953. Parliament has since passed the Bill raising the protective duty on pencils to 66 2/3 per cent. The alternate specific duty on black lead pencils has been raised upwards to 8 annas per dozen.

10. A statement showing the c.i.f. prices and landed costs of imports of different types of pencils as furnished

C.i.f. price and landed cost. by the Collectors of Customs and leading importers from July, 1952, is given in

Appendix VI. Consequent upon the fixation of a floor c.i.f. value for black lead pencils were generally not less than Rs. 16/- per gross. There were, however, a few consignments of black lead pencils imported into the country, the c.i.f. price of which was less than Rs. 16/-

per gross. These presumably related to 'border line' cases. Therefore, for the purpose of assessing the measure of protection required by the industry we have adopted the lowest c.i.f. price of recent imports which is Rs. 16/- per gross. As regards coloured and copying pencils, we have adopted the lowest c.i.f. prices of recent imports which are Rs. 13/- and Rs. 15-9-0 respectively. The landed costs corresponding to the above c.i.f. prices are as follows:

(Per gross)

	Black lead pencils			Coloured pencils			Copying pencils		
	Rs.	As.	Ps.	Rs.	As.	Ps.	Rs.	As.	Ps.
C.i.f. price ..	16	0	0	13	0	0	15	9	0
Clearing charges ..	0	2	7	0	2	2	0	2	6
Customs duty ..	10	10	8	8	10	8	10	6	0
Landed cost without duty	16	2	7	13	2	2	15	11	6
Landed cost with duty	26	13	3	21	12	10	26	1	6

11. (a) The two pencil factories which were costed at the last inquiry in 1950, namely, the Madras Pencil Factory

and F.N. Gooptu & Co., were selected this time also for the purpose of cost investigation. Our Assistant Cost Accounts Officer has examined the cost of production of pencils manufactured by these two factories. Commission's estimate of the costs of production and fair ex-works prices.

He found some difficulties in carrying out his investigation, as both the firms were maintaining records on financial basis and not on strict costing basis. He had, therefore, to build up the cost of production on the basis of the records available with the firms. In both cases, complete financial accounts were available for the years 1950-51 and 1951-52 and the first half of 1952-53 ended

September, 1952. The Madras Pencil Factory produced 22,742 gross or about 20 per cent of its capacity during the last period, namely, April to September, 1952, and E.N. Gootu & Co., 15,940 gross or about 16 per cent of its capacity during the calendar year 1952. The following type of pencils were selected for costing: (a) Plain varnished black lead pencils; (b) Cellulose lacquered black lead pencils; (c) Coloured pencils; and (d) Copying pencils. The Madras factory produced all the 4 types. E.N. Gootu & Co., did not produce coloured pencils during the first six months of 1952-53, but have since undertaken the production of this type as well. We are forwarding the cost report of the Assistant Cost Accounts Officer as a confidential enclosure to this report.

(b) The figures of cost of production of the two firms were discussed *in camera* with their representatives. We, therefore, give in the following table only a summary of the ex-works prices of the four varieties of pencils mentioned above as determined by us after discussion with their representatives.

**Fair ex-works price with profit
per gross of pencils**

	<i>Madras Pencil Factory.</i>	<i>F.N. Gooptu & Co.</i>
	Rs.	Rs.
(a) Plain varnished black lead pencils	7.171	8.790
(b) Cellulose lacquered black lead pencils	8.000	9.546
(c) Coloured pencils	14.278	15.507
(d) Copying pencils	15.368	12.467

The production costs of F.N. Gooptu & Co., are higher than those of the Madras factory in all cases except copying

pencils. The higher cost of the former is due to higher expenditure incurred by the firm on its raw materials. We have examined this item in detail and are satisfied that the comparatively higher cost of production of F.N. Gooptu & Co. may be attributed to a large extent to the fact that they make a liberal use of graphite and other finishing materials in order to produce good quality pencils and to give proper finish to their products. Their labour costs are, however, lower in comparison to the Madras factory which had to pay higher wages on account of the award of the Industrial Labour Tribunal.

(c) The fair ex-works prices given above have been calculated on the assumption that both the costed units will be able to increase their production to one lakh gross each per year. We have allowed profit at 5 per cent. on the ex-works cost as at the last inquiry.

(d) To determine the fair ex-works price which would be representative of the industry as a whole, we propose to take the average cost of production of both the factories for all the four varieties mentioned above. By doing so, we shall have provided a fair allowance for the additional cost which an average Indian factory should be expected to incur during the period of protection in order to carry out the necessary improvements. The following table shows the fair ex-works prices of pencils inclusive of profit calculated on this basis:-

Rs. per gross

(a) Plain varnished black lead pencils	...	7-15- 8
(b) Cellulose lacquered black lead pencils	...	8-12- 4
(c) Coloured pencils	...	14-14- 3
(d) Copying pencils	...	13-14- 8

(e) In assessing the relative competitive position of indigenous and foreign pencils, due regard must be had not merely to the fair ex-works price of the former, Prejudice. but also to the special handicaps from which the indigenous industry is suffering. From our discussions with manufacturers, we have come to the conclusion that the same allowance of 15 per cent. in the case of black lead pencils, 25 per cent. in the case of coloured and copying pencils should be allowed for consumer's prejudice as at the last inquiry.

12. The following table shows the comparison between the fair ex-works prices of Indian pencils as determined in the preceding paragraph and the landed costs ex-duty of imported pencils referred to in paragraph 10 above. As the imported pencils are mostly cellulose lacquered, no figures for plain varnished pencils are given in the following table.

Question of
continuance
of protec-
tion to the
industry.

(Per gross)

Items	Cellulose lacquered black lead pencils			Coloured pencils			Copying pencils		
	Rs.	As.	Ps.	Rs.	As.	Ps.	Rs.	As.	Ps.
1. (a) Fair ex-works price	8	12	4	14	14	3	13	14	8
(b) Allowance for prejudice	1	4	11	3	11	7	3	7	8
Total	10	1	3	18	9	10	17	6	4
2. C.I.F. price	16	0	0	13	0	0	15	9	0
3. Clearing charges at 1%	0	2	7	0	2	2	0	2	6
4. Landed cost ex-duty	16	2	7	13	2	2	15	11	6
5. Difference between 1 and 4 (-)	(-) 6	1	4	5	7	8	1	10	10
6. Difference as per- centage on c.i.f.				-38%			39%		11%

Since against the additional licences issued in the current half year, copying and coloured pencils whose c.i.f. value is not less than Rs. 20/- per gross can be imported, the measure of protection required on this basis is shown in the following comparison:-

(Per gross)

Items	Coloured pencils			Copying pencils		
	Rs.	As.	Ps.	Rs.	As.	Ps.
1. (a) Fair ex-works price	14	14	3	13	14	8
(b) Allowance for prejudice	3	11	7	3	7	8
Total	18	9	10	17	6	4
2. Floor c.i.f. price	20	0	0	20	0	0
3. Clearing charges at 1%	0	3	2	0	3	2
4. Landed cost ex-duty	20	3	2	20	3	2
5. Difference between 1 and 4	1	9	4	2	12	10
6. Difference as percentage on floor c.i.f.			-8%			-14%

It will be seen from the two comparative statements above that on the basis of the lowest c.i.f. prices at which pencils were actually imported in recent months, the protective duties required are nil in the case of black lead pencils, 39 per cent. in the case of coloured pencils and 11 per cent. in the case of copying pencils. On the basis of the floor c.i.f. price fixed by Government in respect of additional licences issued during January-June, 1953, for the importation of coloured and copying pencils, the protective duties indicated are nil. Since the existing rate of duty is 66 2/3 per cent. on all types of pencils, we consider that there is no case for protecting the industry. We, therefore, recommend that protection to the

industry should be allowed to lapse on 31st December, 1953, when the present period of protection expires. Since this recommendation is based on the enhanced duty in the Finance Act, 1953 and since any reduction in the rates of duties without reference to the cost of production of the industry, might seriously affect the interests of the industry, we recommend that the position of the industry should be carefully examined before any decision is taken to effect downward revision in the existing level of import duty. Further, all facilities and assistance which the industry is at present receiving from Government including Government patronage for its products, but excluding facilities for importation of lead for pencil manufacture as mentioned in paragraph (13) below, should continue to be extended.

The Government for the sake of restricting imports particularly of cheap quality pencils have fixed the floor c.i.f. price at Rs. 16/- for black lead pencils, and Rs. 20/- for coloured and copying pencils for the new licences. We presume that the floor c.i.f. price fixed by Government will be continued not only to restrict the import of cheap pencils from foreign countries but also to avoid severe competition of cheap Japanese pencils with the indigenous pencils. We are of the opinion that if this is not continued, the indigenous industry will in the end suffer a good deal of hardship. Therefore, we are recommending deprotection after 31st December, 1953, presuming that Government will continue these floor c.i.f. prices as well as the high rate of duty levied under the Finance Act, 1953.

13. (a) *Regulation of imports:* The industry has requested for a total ban on imports of pencils on the grounds that (i) it can meet the entire domestic requirements, and (ii) ample stocks of imported pencils already exist in the country. It considers that a prohibition of imports would severely curtail illicit imports into India. We have examined this request very carefully. It is true that the capacity of the industry is very much higher than the estimated domestic demand.

Assistance to the industry.

However, due to severe competition from foreign pencils, the industry could not utilise a substantial portion of its installed capacity and was, therefore, unable to meet even a major portion of the country's requirements. During the ten months ended January, 1953, upto which statistics of imports are available, a very large quantity amounting to 3.77 lakhs gross of all types of pencils was imported. From the discussion we had with the representatives of various interests during the public inquiry, we have come to the conclusion that an appreciable quantity of pencils must have been smuggled into the Indian Union from across the Indian borders, particularly after the enhancement of the protective duty to 66 2/3 per cent. Although the actual stock position of imported pencils with the trade could not be assessed, it seems reasonable to assume that such large quantities of foreign pencils could not have been used up by now and that a substantial stock of foreign pencils exists in the country. So long as large quantities of foreign pencils are available in the market and the consumers have a preference for foreign pencils, the industry will not have the necessary incentive to step up its production. Steps should, therefore, be taken to restrict imports effectively. We might go further and state that the accumulated stock in the country is very likely of such magnitude that there would be no need to import pencils for one year, that is, during the whole of 1954. After 1954, imports should be considerably restricted taking into consideration the domestic demand and the actual production of the indigenous industry. We, therefore, recommend that imports of black lead, coloured and copying pencils of the types manufactured in the country should be restricted to the maximum possible extent and that import licences should be made valid only for black lead pencils whose c.i.f. price is not less than Rs. 16/- per gross and for coloured and copying pencils whose c.i.f. value is not less than Rs. 20/- per gross, as at present. As regards illicit imports, we have already recommended in paragraph 2 above that Government should tighten up their anti-smuggling measures. All these various steps taken together

should, in our opinion, adequately safeguard the position of the indigenous industry and at the same time create a very favourable atmosphere for the industry to step up its production and launch upon long-term schemes of improvement.

(b) Some of the producers have represented to us that Government have issued licences to certain units in the country to import lead or slips for pencil manufacture and that this was detrimental to their interests as they disturb the relative competitive position of the various units. We have examined this issue thoroughly and are of the opinion that all units should work under uniform or similar conditions. We, therefore, recommend that no licences should be issued in future to any of the pencil manufacturers to import lead or slips for pencil making.

Ban on imports of lead or slips for pencil manufacture.

14. Our conclusions and recommendations may be summarised as under:-

Summary of conclusions and recommendations.

(1) In order to make the pencil industry independent of imports of foreign slats, the indigenous slat industry should be developed without any delay. The Development Wing of the Ministry of Commerce and Industry should explore all possibilities of successfully establishing the wood slat industry in the country with special reference to the States of Punjab, Uttar Pradesh, Kashmir and West Bengal. [Paragraph 2(a)]

(2) While the producers should do everything to encourage the slat industry in the country, the slat industry in turn should within as short a period as possible meet their requirements in respect of quality and quantity. [Paragraph 2(a)]

(3) Since the National Physical Laboratory is prepared to undertake the work of treating samples of graphite

are, the indigenous producers should take up the matter object with the Laboratory. [Paragraph 2(a)]

(4) The Government of India should endeavour to obtain the services of a fully qualified technician under the Point Four Programme to advise the industry on its technical problems. [Paragraph 2(a)]

(5) The request of M/s. Capital Industries Ltd., Delhi, for increased supply of electric power should again be referred to the proper authorities for sympathetic consideration, at an early date. [Paragraph 2(b)]

(6) Government should still further tighten up their anti-smuggling measures and also prevent unauthorised importation of pencils under a wrong nomenclature. [Paragraph 2(b)]

(7) Allowing an increase of 20 per cent. over the demand estimated in 1950, due to spread of literacy, the total requirements of pencils at present are estimated at 6 lakh gross per annum of which 75 per cent. would be for black lead pencils, 15 per cent. for copying pencils and 10 per cent. for coloured pencils. The demand might progressively increase in future at the rate of 10 per cent. per year. [Paragraph 5]

(8) The present capacity of the industry is estimated at 8 lakh gross per annum; at the end of 1953, it would be 11 lakh gross per annum. [Paragraph 6]

(9) As compared with the capacity, actual production of the industry has been very much lower during the last three years. [Paragraph 6]

(10) There has been a definite improvement in the quality of the indigenous pencils during the last two years. If the services of a Technical Expert under Point Four Programme can be obtained for the industry, the industry may be expected to make significant progress in the near future. [Paragraph 7]

(11) For the purpose of assessing the measure of protection required by the industry the lowest c.i.f. price of recent imports of black lead pencils which is Rs. 16/- per gross has been adopted. For coloured and copying pencils, the lowest c.i.f. prices of recent imports which are Rs. 13/- and Rs. 15/9/- respectively have been adopted. [Paragraph 10]

(12) The fair ex-works prices per gross inclusive of profits are estimated as follows: plain varnished black lead pencils, Rs. 7-15-8; cellulose lacquered black lead pencils, Rs. 8-12-4; coloured pencils, Rs. 14-14-3; and copying pencils, Rs. 13-14-8. [Paragraph 11(d)]

(13) An allowance of 15 per cent. in the case of black lead pencils and 25 per cent. in the case of coloured and copying pencils, as at the last inquiry, has been made for consumer's prejudice. [Paragraph 11(e)]

(14) At the existing rate of import duty of 66 2/3 per cent. on all types of pencils, there is no case for protecting the industry. Protection to the industry should be allowed to lapse on 31st December, 1953, when the present period of protection expires. In making this recommendation it is presumed the Government will continue the floor c.i.f. prices as well as the high rate of duty levied under the Finance Act, 1953. [Paragraph 12]

(15) Since any reduction in the existing rates of duties without reference to the cost of production of the industry might seriously affect the interests of the industry, the position of the industry should be carefully examined before any decision is taken to effect downward revision in the existing level of import duty. [Paragraph 12]

(16) All facilities and assistance which the industry is at present receiving, from Government including Government patronage for its products but excluding facilities for importation of lead should continue to be extended. [Paragraph 12]

(17) Steps should be taken to restrict imports effectively. The accumulated stock of pencils in the country is very likely of such magnitude that there would be no need to import pencils for one year, that is, during the whole of 1954. After 1954, imports should be considerably restricted taking into consideration the domestic demand and the actual production of the indigenous industry. Imports of black lead, coloured and copying pencils of the types manufactured in the country should be restricted to the maximum possible extent and import licences should be made valid only for black lead pencils whose c.i.f. price is not less than Rs. 16/- per gross, and coloured and copying pencils whose c.i.f. value is not less than Rs. 20/- per gross, as at present. [Paragraph 13(a)]

(18) No licences should be issued in future to any of the pencil manufacturers to import lead or slips for pencil making. [Paragraph 13(b)]

15. We wish to thank the representatives of producers, importers and consumers who furnished us with information and gave evidence before us at the public inquiry. Our thanks are also due to Mr. M.A. Rehman, Wood Seasoning Officer of the Forest Research Institute, Dehra Dun, Mr. P.I. Narayanan of the National Metallurgical Laboratory, Jamshedpur, and Mr. P.V. Phanse of the office of the Collector of Customs, Bombay, for their assistance in connection with this inquiry.

B.V. Narayanaswamy,

Member.

B.N. Das Gupta,

Member.

C. Ramasubban,

Member.

D.K. Malhotra,

Secretary.

Bombay,

3rd July, 1953.

APPENDIX I
 [Vide paragraph 4(a)]

LIST OF PERSONS TO WHOM THE COMMISSION'S SPECIAL QUESTIONNAIRES
 WERE ISSUED INDICATING THOSE WHO REPLIED OR SUBMITTED MEMORANDA

(*) Those who replied.

PRODUCERS:

1. Bharat Pencil Co. Ltd.,
 Bijnor (U.P.).
2. Popular Pencil Works,
 Quilon (Travancore).
- *3. The Capital Industries Ltd.,
 Serai Rohilla, Delhi 6.
- *4. Acme Agencies,
 Motilal Mansion, Kapasia Bazar,
 Ahmedabad 2.
5. Victory Pencil Company,
 Quilon, South India.
- *6. The Bhupathi Pencil Factory,
 Perur, Coimbatore.
- *7. G.C. Law & Co.,
 2, Cornwallis Street, Calcutta.
- *8. The Quilon Pencil Factory,
 Quilon, S. India.
9. Godha Industries,
 Vanivilas Mohalla, Mysore.
- *10. F.N. Gooptu & Co.,
 12, Beliaghata Road,
 Calcutta 15.
- *11. The Madras Pencil Factory,
 5, Stringer's Street, Madras.
- *12. Agra Pencil Factory,
 Taj Ganj, Agra.
13. N. Dutt & Sons,
 Victoria Road,
 Bhavanagar (24 Parganas).
14. Orissa Forest Produce Co. Ltd.
 8, Royal Exchange Place, Calcutta.

PRODUCERS (Contd.)

15. Moonlight Industries,
14-A-D.L.F. Industrial Area,
Najafgarh Road, Delhi.
- *16. Bharat Pencils,
12, Bombay Road, Poona 3.
- *17. Lion Pencils Ltd.,
239, Abdul Rehman St.,
Bombay 3.

IMPORTERS:

1. E. Loeffler & Co.,
Hanuman Street, Bombay 1.
2. Champaklal & Co.,
195/197, Abdul Rehman Street,
Bombay.
- *3. Universal Trade Emporium,
Karol Bagh, New Delhi.
4. H. Rahimulla H. Siddique,
82, Kolutola Street, Calcutta.
5. M.S. Ahmed & Co., Ltd.,
56/6, Canning St.,
Calcutta.
6. C.B. Cama & Co.,
86, Ghod Bunder Road,
Khar, Bombay 21.
7. Bombay Stationery Mart,
Sir P.M. Road, Bombay.
8. J.V. Navalakhi & Co.,
Kalbadevi Road, Bombay.
9. Universal Supplies (India),
Mandi Pan, Sadar Bazar, Delhi.
10. J.L. Morison Son & Jones (India) Ltd.,
Opposite Mahalakshmi Temple,
Warden Road, Bombay.
11. Mr. K.N. Shroff,
Victoria Building,
Parsi Bazar St.,
Fort, Bombay.

IMPORTERS (Contd.)

12. Heman & Co.,
Ramachandra Building,
Carnac Road, Bombay.
13. B.R. Patel & Co. Ltd.,
Mherwan Building,
Sir P.M. Road, Bombay.
- *14. D.M. Wadia & Co.,
Hashim Building,
38, Churchgate St.,
Fort, Bombay.
15. Wiggins, Teape & Alex
PIRIE (Export) Ltd.,
Kamani Building, Bombay.
- *16. R.R. Gibson Ltd.,
Post Box 785, Bombay.
- *17. Bombay Stationers' Assn.,
205, Abdul Rehman St.,
Bombay.

CONSUMERS:

1. Director of Cottage Industries,
Stores Purchases Section,
Kanpur.
- *2. Controller of Stores,
Western Railway,
Mahalaxmi, Bombay.
- *3. Controller of Stores,
Southern Railway,
Ayyana Venam,
Madras 23.
4. Controller of Stores,
E.L.Rly.,
Esplanade, East, Calcutta.
5. Director of Supplies & Disposals,
Sapt Building, Ballard Estate, Bombay 1.
- *6. Superintendent,
Govt. Printing & Stationery,
Charni Road, Bombay.
- *7. Secretary,
Stores Purchase Committee,
Trivandrum, Travancore.

CONSUMERS: (Contd.)

- *8. Controller of Stores,
Central Railway,
Parel, Bombay.
- *9. W.R. Stoessel & Co.,
63, New Marinelines,
Bombay.

GOVT. DEPARTMENTS AND OTHERS:

- *1. President, Forest Research Institute and Colleges, Dehra Dun.
- *2. Development Wing, Ministry of Commerce & Industry, New Delhi.
- *3. Council of Scientific and Industrial Research, New Delhi.
- *4. Kapur's Industrial and Research Laboratory,
14/2A, Nirode Bihari Mullick Road,
Calcutta.



APPENDIX II
[Vide Paragraph 4(c)]

**LIST OF PERSONS WHO ATTENDED THE PUBLIC INQUIRY AND TENDERED
 ORAL EVIDENCE.**

PRODUCERS	Representing
1. Mr. H.P. Gooptu	" F.N. Gooptu & Co., Calcutta.
2. Mr. M.S. Krishnamoorthy	" Madras Pencil Factory, Madras.
3. Mr. I.H. Safrin	" Lion Pencil, Bombay.
4. Mr. G.D. Nair	" Quilon Pencil Factory, Quilon.
5. Mr. Durairaj Reddiar	"
6. Mr. T.N. Bhaskar	" Capital Industries, Delhi.
7. Mr. J.B. Desai	" Acme Agencies, Ahmedabad.
8. Mr. S.S. Marathe	" Bharat Pencils, Poona.
9. Mr. S.D. Kapur	" Moonlight Industries, New Delhi.
 सन्तोषजयन्	
ASSOCIATIONS	
1. Mr. R.P. Gooptu	" Indian Pencil Manufacturers' Association, Calcutta.
2. Mr. N.H. Bhatt	" The All-India Manufacturers' Organisation, Bombay.
3. Mr. G.R. Mansukhani	"
4. Mr. Ramnath Mehra	" Bombay Stationers' Association, Bombay 1.
IMPORTERS	
1. Mr. R.R. Gibson	" Factory representa- tion of Royal Sovereign Pencil Co. Ltd., London.

IMPORTERS (Contd.)

2. Mr. K.N. Shroff	Selling Agent of	A.W. Faber Castell, Bavaria.
3. Mr. K.C. Cama	Representing	C.B. Cama & Co., Bombay.
4. Mr. K.M. Mehta	"	Champaklal & Co., Bombay.
5. Mr. J.R. Kalyaniwala	"	P.R. Patel & Co., Bombay.
6. Mr. H.E. Dalal	"	M.M. Kadarjee & Co., Bombay.
7. Mr. G.H. Peel	}	Wiggins Teape & Alex Pirie (Export) Ltd., Bombay.
8. Mr. J.R. Gomes		Heman & Co., Bombay.
9. Mr. H.S. Alreja	"	
10. Mr. B.V. Navalakhi	"	J.V. Navalakhi & Co., Bombay.

CONSUMERS

1. Mr. A.R. Vasudevan	"	W.R. Stoessel & Co, Bombay.
2. Mr. D.S. Joglekar	"	Govt. Printing & Stationery, Bombay.
3. Mr. N.C. Killavala	"	Western Railway, Bombay.
4. Mr. S.B.J. Rajaiyah	"	Central Railway.
5. Mr. B.C. Mazumdar	"	Director of Supplies & Disposals, Bombay.

GOVT. DEPARTMENTS & OTHERS

1. Mr. P.V. Phanse	"	Collector of Customs, Bombay.
2. Mr. M.A. Rehman	"	Forest Research Institute, Dehra Dun.
3. Mr. P.L. Narayanan	"	National Metallurgical Laboratory, Jamshedpur.
4. Dr. S.N. Kapur	"	Kapur's Industrial & Research Laboratory, Calcutta.

APPENDIX III

(Vide paragraph 6)

STATEMENT SHOWING THE PRESENT RATED CAPACITY AND ACTUAL PRODUCTION OF THE VARIOUS
PENCIL FACTORIES IN INDIA FROM 1950 TO 1952.

(In gross)

Sl. No.	Name of the factory	Annual rated capacity	ACTUAL PRODUCTION						
			1950			1951			
			Black lead	Coloured	Copying	Total	Black lead	Coloured	Copying
1.	F. N. Goopthal & Co., Calcutta.	75,000	16,952	417	—	18,369	31,585	2,187	297
2.	G. C. Law & Co., Calcutta.	90,000	40,655	356	7,020	46,231	90,426	962	10,489
3.	Madras Pencil Factory, Madras.	4,50,000	10,782	3,408	1,391	16,551	33,806	5,852	6,494
4.	Lion Pencils, Bombay.	2,40,000	—	—	—	—	—	—	—
5.	Chillion Pencil Factory, Quilon.	30,000	4,550	0,320	4,200	15,170	10,984	4,588	5,968
6.	Acme Agencies, Ahmedabad.	60,000	2,688	2,115	162	4,585	5,087	5,880	150
7.	Agra Pencil Factory, Agra.	6,000	—	—	—	—	—	—	298
8.	Bharat Pencils, Poona.	30,000	4,406	—	—	4,406	8,927	—	—
9.	Moonlight Industries, New Delhi.	90,000	—	—	—	—	—	—	—
10.	Brupathi Pencil Factory, Colombatore.	10,500	—	—	—	—	1,802	122	—
11.	Capital Industries, Delhi.	24,400	8,855	1,514	—	10,369	16,869	2,158	—
		11,05,900	60,788	14,130	12,773	117,801	197,404	21,749	23,396
									242,549

STATEMENT SHOWING THE RATED CAPACITY AND ACTUAL PRODUCTION OF THE VARIOUS
PENCIL FACTORIES IN INDIA FROM 1950 TO 1952 (Continued)

(In gross)

Sl. No.	Name of the factory.	ACTUAL PRODUCTION			Remarks
		Black lead	Coloured	Copying	
1.	F. N. Gooplu & Co., Calcutta.	15,400	326	213	15,939
2.	G. C. Law & Co., Calcutta.	20,935	459	3,552	24,946
3.	Madras Pencil Factory, Madras.	15,757	4,129	2,856	22,742
4.	Lion Pencils, Bombay.	46,000	—	—	46,000 Started production only in April, 1952.
5.	Quillon Pencil Factory, Quilon.	8,604	2,822	2,497	13,923
6.	Acme Agencies, Ahmedabad.	4,780	1,948	N11	6,728
7.	Agra Pencil Factory, Agra.	314	—	—	314 Suspended production from June, 1952.
8.	Bharat Pencils, Poona.	4,094	—	—	4,094 Suspended production from June, 1952.
9.	Moonlight Industries, New Delhi.	—	—	—	—
10.	Bhupathi Pencil Factory, Coimbatore.	863	397	—	1,260 Started production on a small scale in September, 1952.
11.	Capital Industries, Delhi.	12,673	1,253	717	14,643
	Total	129,420	11,334	9,835	150,589

APPENDIX IV
 [Vide paragraph 8 (a)]

STATEMENT SHOWING IMPORTS OF PENCILS FROM 1949-50 TO JANUARY, 1953.

Items	1949-50		1950-51		1951-52		(April '52 to Jan. '53)		1952-53	
	Quantity Gross	Value Rs.	Quantity Gross	Value Rs.	Quantity Gross	Value Rs.	Quantity Gross	Value Rs.	Quantity Gross	Value Rs.
Black lead	-	-	-	-	132,322	11,71,185	283,292	15,50,838		
Coloured	-	-	-	-	5,932	1,14,260	54,922	7,46,541		
Copying	-	-	-	-	11,733	1,66,374	38,994	6,38,872		
Total	51,540	6,57,439	34,927	4,56,887	149,992	14,51,819	377,208	28,36,049		

APPENDIX V
 [Vide paragraph 8(b)]

GOVERNMENT OF INDIA
 MINISTRY OF COMMERCE AND INDUSTRY

IMPORT TRADE CONTROL

New Delhi,
 the 18th April, 1953.

PUBLIC NOTICE

Sub.- Import of Fountain Pen Ink, Copying and Coloured Pencils during January-June, 1953.

No. 69-ITC(PN)/53.—The attention of the importers is invited to the entries against S.No. 168(b) Part IV in Appendix 'A' to the Red Book for Jan-June 1953. It has now been decided to grant additional licences equal to 1/5th of the face value of the quota licence granted for the articles falling under S. No. 168(b) of Part IV. This additional licence will be valid for the import of (i) Fountain Pen Ink and (ii) Copying and Coloured Pencils, subject to the following restrictions:-

- (i) Not more than 1/20th of the face value of this additional licence can be utilised for the import of fountain pen ink.
- (ii) Copying and Coloured Pencils whose c.i.f. value is not less than Rs. 20/- per gross only, can be imported against the additional licence.

Applications for import licences should reach the licensing authority in the prescribed form and manner together with the exchange control copy of the Jan/June 1953 licences for 168(b) Part IV, as early as possible and in any case not later than the 15th May, 1953.

Sd./- K.B. LALL
 Lt. Secretary to the Govt. of India.

APPENDIX VI

(Vide paragraph 10)

STATEMENT SHOWING C. I. F. PRICES AND LANDED COSTS OF PENCILS FROM JULY, 1952 TO APRIL, 1953.

(Per gross)

Source of Information 1.	Specification 2.		Origin of Import 3.	C. i. f. price 4.	Landed cost 5.	Rs. As. Ps. Rs. As. Ps.
Collector of Customs, Madras.	Black lead pencils	Elephant Venus No. 3818	Germany U.K.	10 10 0 24 15 0	14 0 0 32 13 0	
Coloured pencils	Mercantile		U.K.	23 5 0	32 8 0	
Copying pencils	World		Germany	11 5 0	15 12 0	
	'Eolo'		Germany	14 9 0	20 5 0	
	'Puma'		U.K.	15 14 0	22 2 0	
Collector of Customs, Calcutta.	Black lead pencils	"ARTIST"	Germany	9 13 0	13 5 0	
	'Pegasus'		Japan	4 0 0	7 0 0	
	Coloured pencils	'Globe Flag'	Japan	8 4 0	11 8 0	
Collector of Customs, Bombay.	Black lead pencils	'Taj Mahal' HB	Germany	10 10 0	15 0 0	
	'Norris'		Germany	10 0 0	14 0 0	
	'Umbrella'		Japan	3 0 0	6 0 0	
	'Kohinoor short head'		U.K.	27 8 0	36 0 0	
Copying pencils	'Venus'		No. 16B, 200	U.K.	21 0 0	29 0 0

1.	2.	3.	4.	5.
<u>AUGUST, 1952</u>				
Collector of Customs, Madras,	Black lead pencils 'Mohini' HB Pegasus No. 5000	Germany Japan	8 4 0	11 0 0
	Coloured pencils 'Monini'	Germany	3 2 8	5 15 0
Collector of Customs, Madras.	Copying pencils 'Mohini'	Germany	16 4 0	22 10 0
Collector of Customs, Calcutta.	Black lead pencils 'Mohini'	Germany	14 2 0	19 11 0
<u>SEPTEMBER, 1952</u>				
Collector of Customs, Madras.	Black lead pencils 'Globe Flag' Japan 'Moon Rabbit' with eraser	Japan Japan	2 7 0	5 3 0
	Copying Pencils 'Mohini'	Germany	2 11 0	5 7 0
	'Venus' No. 165 and 168	U. K.	14 0 0	19 8 0
<u>OCTOBER, 1952</u>				
Collector of Customs, Madras.	Black lead pencils 'Everest' without eraser	Japan	2 0 0	4 12 0
	'Elephant' HB 'Norris'	Germany	10 6 0	13 13 0
	'Taj Mahal'	Germany	11 8 0	15 2 0
			10 11 0	14 1 0

1.	2.	3.	4.	5.	6.
Collector of Customs, Madras.	Copying pencils and 168	'Venus No. 165 U.K. 'Taj Mahal'	Germany	21 2 0 14 7 0 18 16 0	27 13 0
<u>NOVEMBER, 1952</u>					
Collector of Customs, Madras.	Black lead pencils	'Lyra' 'Elephant'	Germany	9 5 4 10 8 0 7 0 0	12 4 4 13 13 0
	Coloured pencils	'Elephant'	Germany	9 12 0	
Milday's Stores, Madras.	Copying pencils	'Venus No. 165	U.K.	21 9 0	30 1 0
	Lead pencils	'Elephant'	Germany	13 0 6	16 7 2
		'Norris'	Germany	14 14 0	18 4 9
		Fancy polished	Germany	16 8 1	19 14 9
<u>DECEMBER, 1952</u>					
Collector of Customs, Madras.	Black lead pencils	'Lyra' 'Mohini'	Germany	9 5 4 8 13 4	12 4 0 11 9 0
	Copying pencils	'Venus No. 165 and 168	U.K.	21 4 0	29 10 0
Ratilal Sunderji, Bombay.	Lead pencils	'Taj Mahal'	Germany	14 5 0 10 8 10	19 15 0 13 15 9
		-do-	Germany	10 10 11	14 3 6

JANUARY, 1953

Collector of Customs, Madras.

Black lead pencils 'Elephant' Germany 10 14 0 14 5 0

Copying pencils 'Mohini' Germany 14 0 0 19 8 0

FEBRUARY, 1953

Collector of Customs, Madras.

Black lead pencils 'Taj Mahal' Germany 10 13 0 14 4 0

-do- 'Alligator' -do- 9 9 0 12 9 0

Copying pencils 'Venus' U.K. 21 2 0 30 0 0

MARCH, 1953

Collector of Customs, Madras.

Black lead pencils 'Othello' Germany 16 13 0 28 0 0

Copying pencil 'Venus' No.165 U.K. 21 2 0 35 3 0

-do- 'Venus' No. 200 U.K. 21 0 0 35 0 0

APRIL, 1953

Collector of Customs, Madras.

Black lead pencils 'Tradition' Germany 16 0 0 26 10 8

-do- 'Standard' Czechoslovakia 5 0 0 8 5 4

-do- 'Presto' Germany 16 0 0 26 10 8

-do- 'Decoro' -do- 16 8 0 27 8 0

1.	2.	3.	4.	5.
Collector of Customs, Madras.	Copying pencil	'Venus'	U.K.	20 13 0 34 11 0
-do-	-do-	'Mohini'	Germany	13 5 4 22 3 6
-do-	-do-	'Perseus'	U.K.	15 9 0 25 15 0
Bombay Stationers' Association, Bombay.	Black lead pencils	U.K.	8 0 0 13 5 4	
-do-	Drawing	U.K.	24 0 0 40 0 0	
-do-	Black lead pencils	Germany	10 0 0 16 10 8	
-do-	Coloured and Copying	-do-	13 0 0 21 10 8	

LIST OF REPORTS OF THE INDIAN TARIFF BOARD

I. TARIFF INQUIRIES

(A) NEW CASES

1. Sodium thiosulphate, sodium sulphite (anhydrous) and sodium bisulphite (1946).	PTB 158
2. Bichromates (1946).	PTB 157
3. Phosphates and phosphoric acid (1946).	PTB 156
4. Butter colour and aerated water powder colour (1946).	PTB 154
5. Calcium chloride (1946).	PTB 153
6. Coated abrasives (other than grinding wheels) (1946).	PTB 159
7. Hurricane lanterns (1946).	PTB 152
8. Cocoa powder and chocolate (1946).	PTB 155
9. Wood screws (1946).	PTB 97
10. Bicycles (1946).	PTB 100
11. Caustic soda and bleaching powder (1946).	PTB 88
12. Antimony (1946).	PTB 94
13. Sewing machines (1946).	PTB 101
14. Aluminium (1946).	PTB 90
15. Steel baling hoops (1946).	PTB 87
16. Preserved fruits (1946).	PTB 145
17. Non-ferrous metals (1946).	PTB 146
18. Cotton textile machinery (ring frames, spindles and spinning rings) (1947).	PTB 111
19. Rubber manufactures (1947).	PTB 110
20. Sodium and potassium metabisulphites (1947).	PTB 105
21. Alloy tool and special steel (1947).	PTB 118
22. Sodium sulphide (1947).	PTB 102
23. Electric motors (1947).	PTB 112
24. Dry battery (1947).	PTB 115
25. Plywood and teachests (1947).	PTB 113
26. Cotton and hair belting (1947).	PTB 121
27. Starch (1947).	PTB 103
28. Glucose (1947).	PTB 104
29. Chloroform, ether, sulphuric p.b. and anaesthetic and potassium permanganate (1947).	PTB 109
30. Fire hose (1947).	PTB 120
31. Steel belt lacing (1947).	PTB 119
32. Ferro-silicon (1947).	PTB 116
33. Oleic acid and stearic acid (1947).	PTB 117
34. Machine tools (1947).	PTB 114
35. Wire healds (1948).	PTB 123
36. Pickers (1948).	PTB 125

37. Motor vehicle batteries (1948) .	PTB 122
38. Hydraulic brake fluid (1948) .	PTB 129
39. Bobbins (1948) .	PTB 128
40. Slate and slate pencils (1949) .	PTB 138
41. Expanded metals (1949) .	PTB 150
42. Cotton textile machinery (ring frames, spindles, spinning rings and plain looms) (1949) .	PTB 167
43. Small tools (1949) .	PTB 149
44. Plastics (1949) .	PTB 160
45. Soda ash (1949) .	PTB 165
46. Glass and glassware (1950) .	PTB 174
47. Sterilised surgical catgut (1950) .	PTB 184
48. Liver extract (1950) .	PTB 185
49. Fountain pen ink (1950) .	PTB 183
50. Pencils (1950) .	PTB 187
51. Fine chemicals (1950) .	PTB 182
52. Sago (1950) .	PTB 186
53. Belt fasteners (1950) .	PTB 189

(B) REVIEW CASES

(Continuance of Protection)

1. Iron and steel manufactures (1947) .	PTB 106
2. Paper and paper pulp (1947) .	PTB 108
3. Cotton textile manufactures (1947) .	PTB 98
4. Sugar (1947) .	PTB 107
5. Magnesium chloride (1948) .	PTB 124
6. Silver thread and wire (1948) .	PTB 126
7. Bicycles (1949) .	PTB 131
8. Artificial silk (1949) .	PTB 132
9. Sericulture (1949) .	PTB 133
10. Alloy tool and special steel (1949) .	PTB 136
11. Sodium thiosulphate, sodium sulphite and sodium bisulphite (under section 4(1) of the Tariff Act) (1949) .	PTB 140
12. Calcium chloride (1949) .	PTB 148
13. Grinding wheels (under section 4(1) of the Tariff Act) (1949) .	PTB 141
14. Hurricane lanterns (under section 4(1) of the Tariff Act) (1949) .	PTB 144
15. Sugar (1949) .	PTB 134
16. Preserved fruits (1949) .	PTB 143
17. Coated abrasives (under section 4(1) of the Tariff Act) (1949) .	PTB 147
18. Antimony (1949) .	PTB 161
19. Phosphates and phosphoric acid (1949) .	PTB 164

20. Starch (1949).	PTB 163
21. Bichromates (1949).	PTB 168
22. Ferro-silicon (1949).	PTB 169
23. Sewing machines (1949).	PTB 170
24. Cocoa powder and chocolate (1949).	PTB 172
25. Electric motors (1949).	PTB 166
26. Steel belt lacing (1949).	PTB 171
27. Cotton and hair belting (1949).	PTB 173
28. Calcium chloride (1950).	PTB 175
29. Sugar (1950).	PTB 179
30. Potassium permanganate (1950).	PTB 176
31. Wood screws (1950).	PTB 177
32. Dry battery (1950).	PTB 180
33. Oleic acid and stearic acid (1950).	PTB 178
34. Plywood and teachests (1950).	PTB 181

II. PRICE REPORTS

1. Cotton yarn and cloth prices (1948).	PTB 127
2. Paper prices (1948).	PTB 130
3. Fair ex-works prices of superphosphate (1949).	PTB 139
4. Fair retention prices of steel produced by the Tata Iron & Steel Company and the Steel Cor- poration of Bengal (1949).	PTB 135
5. Ex-works costs of hot metal (Iron for steel making) and fair ex-works prices of pig iron (Basic and foundry grade) (1949).	PTB 137
6. Fair retention prices of steel produced by Mysore Iron & Steel Works, Bhadravati (1949).	PTB 151
7. Fair retention prices of steel produced by the Tata Iron & Steel Company and the Steel Cor- poration of Bengal (1951).	PTB 205

All the above reports are available with the Manager of Publications,
Civil Lines, Delhi, and the Secretary, Indian Tariff Board, Contra-
ctor Building, Nicol Road, Ballard Estate, Bombay I.